

ORIGINAL

Before the  
Federal Communications Commission  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )

Common Carrier Bureau Seeks Comment on  
Translation of Cost Model to Delphi Computer  
Language and Announces Posting of Updated  
Cost Model )

CC Docket No. 96-45

**REPLY COMMENTS OF WORLDCOM, INC.**

WorldCom, Inc. ("WorldCom") hereby submits its reply comments in the above-captioned matter.<sup>1</sup>

**I. USE OF CHANNEL EQUIVALENTS DOES NOT UNDERSTATE COST PER LOOP**

The incumbent local exchange carrier (ILEC) commenters urge the Commission to modify the Synthesis Model (SM) to eliminate an alleged understatement of loop costs.<sup>2</sup> This understatement comes about, these ILECs claim, because distribution investment in the model is based on the number of copper pairs needed for each type of service (e.g., 1 pair for regular voice service and 2 pair for a DS-1), while the number of lines used to determine per line cost from that investment reflects channel equivalents (e.g., 1 channel for regular voice service and 24 channels for a DS-1). This mismatch between the units employed to determine the amount of investment needed and the units employed to determine demand for DS-1s causes too little

<sup>1</sup> Public Notice, Common Carrier Bureau Seeks Comment on Translation of Cost Model to Delphi Computer Language and Announces Posting of Updated Cost Model, CC Docket No. 96-45, DA 01-1458 (June 20, 2001) ("Notice")

<sup>2</sup> See Verizon Comments at 2-3; Joint Comments of BellSouth Corporation, Qwest Communications Inc., and Sprint Corporation at 7-8 and Attachment A.

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investment (and thus too little expense) to be assigned to the universal service per-loop costs, according to the ILECs.

This argument is overstated. The SM is intended to capture the opportunities for economies of scale and scope that result from all uses of the network. However, to determine the number of non-switched lines in the network, the SM uses only the number of special access lines reported in the ARMIS 43-08. In fact, there are a number of other types of non-switched lines, e.g., the ILECs' retail private lines for local service and intralata toll. If these other line types were included, the SM would build a larger network, to accommodate those additional lines, but would also have more lines over which to spread the loop costs.

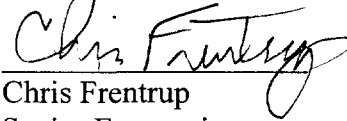
In addition, this understatement of non-switched line counts is further compounded by the recent explosion in demand for private lines. The SM's default ratio of special access to business lines of 13 percent is based on 1998 data. Since the use of private lines has grown significantly since then, this ratio is very likely to be understated. This understated ratio will result in the SM understating the amount of plant that is needed to meet special access demand.

Thus, any adjustments to the SM should consider the effect of each of these possibilities on the model results. The Commission should carefully review all facets of this complex issue to determine what changes, if any are needed to the SM.

## **II. Conclusion**

For the reasons given above, it is not clear that the methodology currently used in the SM to determine loop costs under-assigns costs to universal service loops. In addition, there are additional modifications that could be made to the SM that would have the effect of lowering costs. Until the Commission has the opportunity to assess all these potential changes, it should retain the existing methodology used in the SM to determine per-loop costs.

Respectfully submitted,

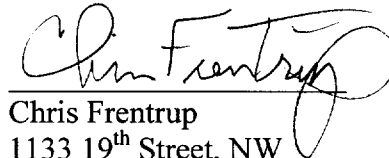
A handwritten signature in black ink, appearing to read "Chris Frentrup", written over a horizontal line.

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August 27, 2001

### STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on August 27, 2001.

A handwritten signature in black ink, appearing to read "Chris Frentrop", written over a horizontal line.

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